AMERICA'S ARMY:
THE STRENGTH OF THE NATION™

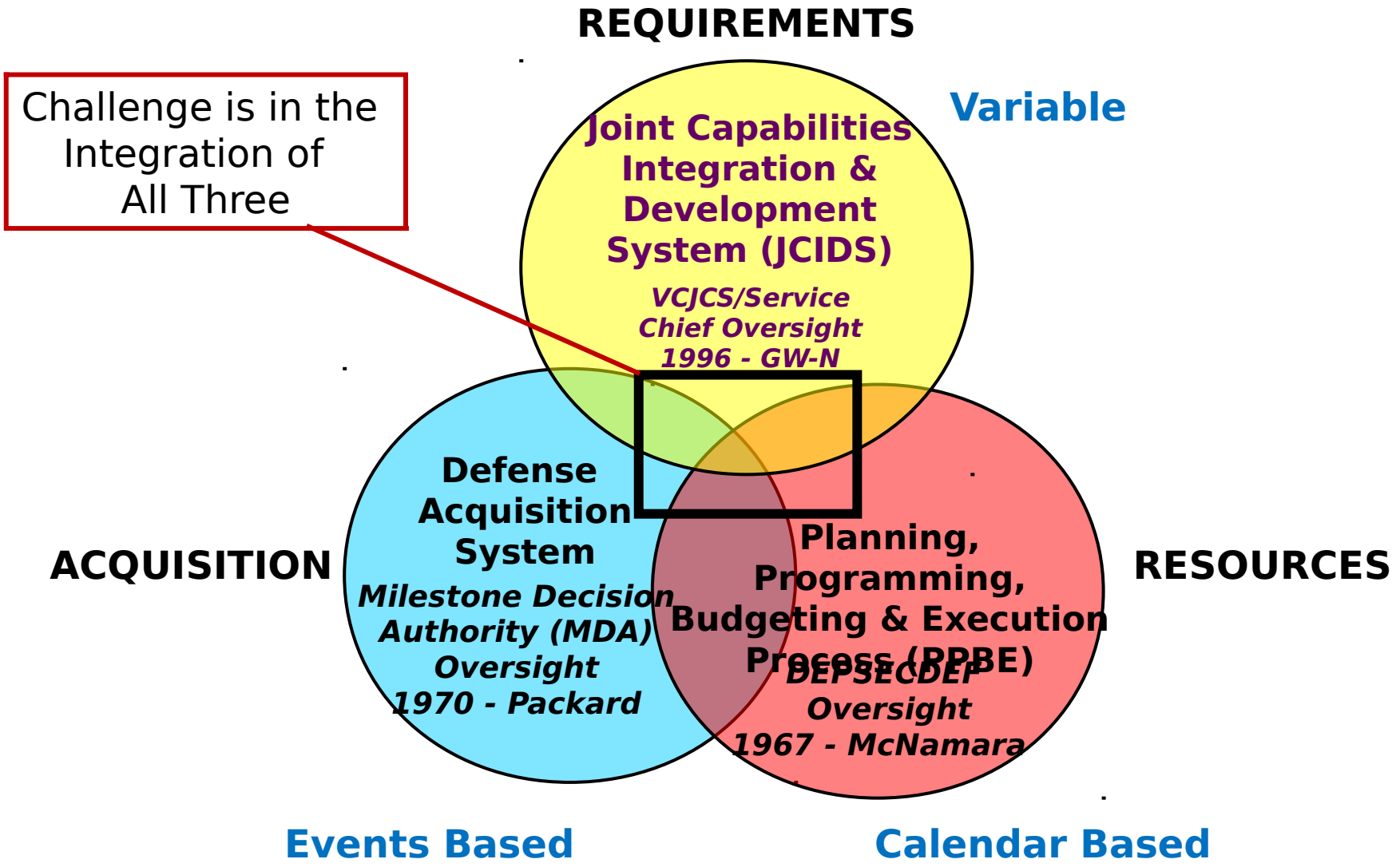
NETWORK THE FORCE ▪ DETER AND DEFEAT HYBRID THREATS ▪ EMPOWER AND PROTECT THE SOLDIER

Business Planning and Execution

Mr. Don Tison

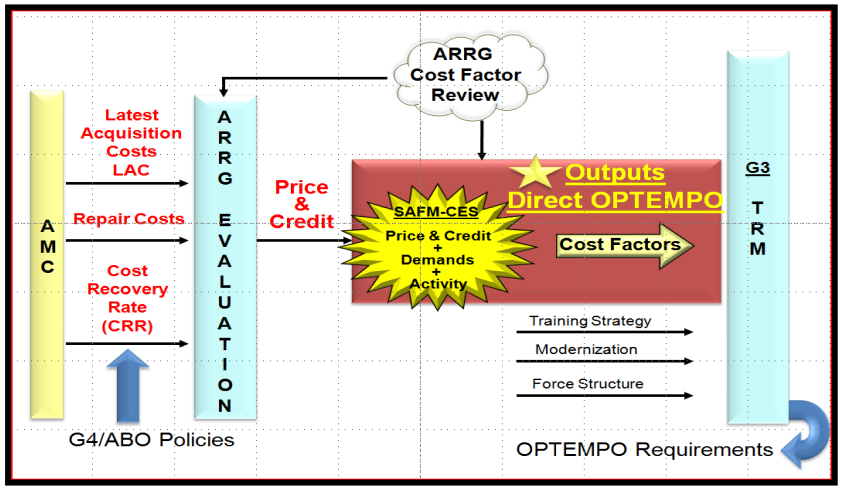
28 March, 2012

Three Over-arching Processes



Two Processes That Get at the Challenge

ARRG

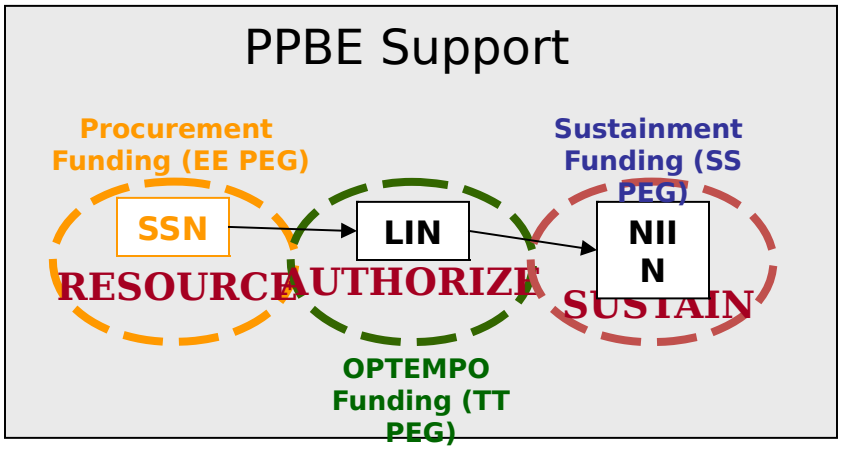


2001 → 2012

Requirements ←→

Resources

SLAMIS



2001 → 2012

ACQ ←→ RQMTS →

Resources

Tied to the Three Key Business Processes

ARRG Overview

- **ARRG:** Army Working Capital Fund Requirements Review Group
- Purpose: Review and evaluate issues or proposed modifications impacting the Army Working Capital Fund (AWCF) business areas
- What the ARRG Does:
  - Provides strategic recommendations and resource authorization for the AWCF
  - Evaluates, understand and control costs
  - Examines AWCF issues collaboratively during the Program and Budget cycle
  - Reviews the AWCF POM and impacts on other Army programs
  - Strengthens the AWCF supplier and customer relationship

Key Players

Co-Chairs: HQDA Deputy G-8 & Deputy Director Army Budget Office

ARMY SECRETARIAT	ARMY STAFF	ARMY MATERIEL COMMAND
ASA(FM&C)	G-3/5/7(Operations)	G-3 (Operations)
ASA(ALT)	G-4 (Logistics)	G-4 (Logistics)
ASA(MR&A)	G-8 (PA&E)	G-8 (Resources)
G-6/CIO	ACSIM	
ABO, Dir Bus Ops	OCAR	
ABO, Dir Ops Sprt	ARNG	
DASA-CE		
Army Audit Agency		

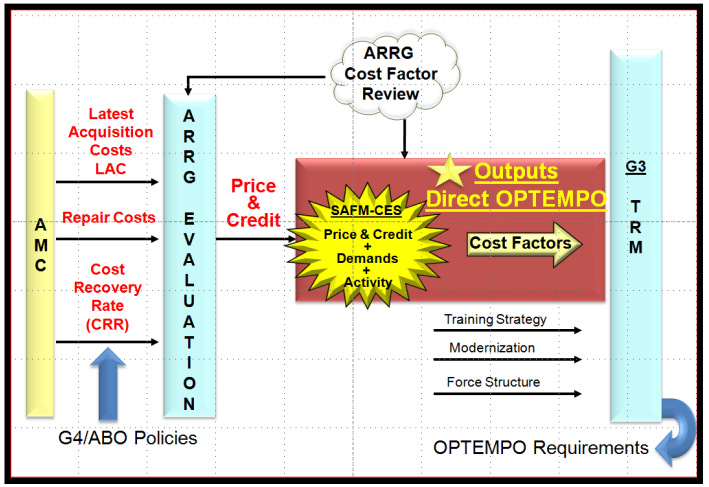
ARRG is the Executive Leadership Forum for the AWCF
$15B per Year Business

ARRG Background*

1. THE ISSUE:

- Growth at ~twice the rate of inflation in OPTEMPO
- Program and Budget disconnected
- Customer/Supplier relationship on cost growth unclear

2. THE SOLUTION:



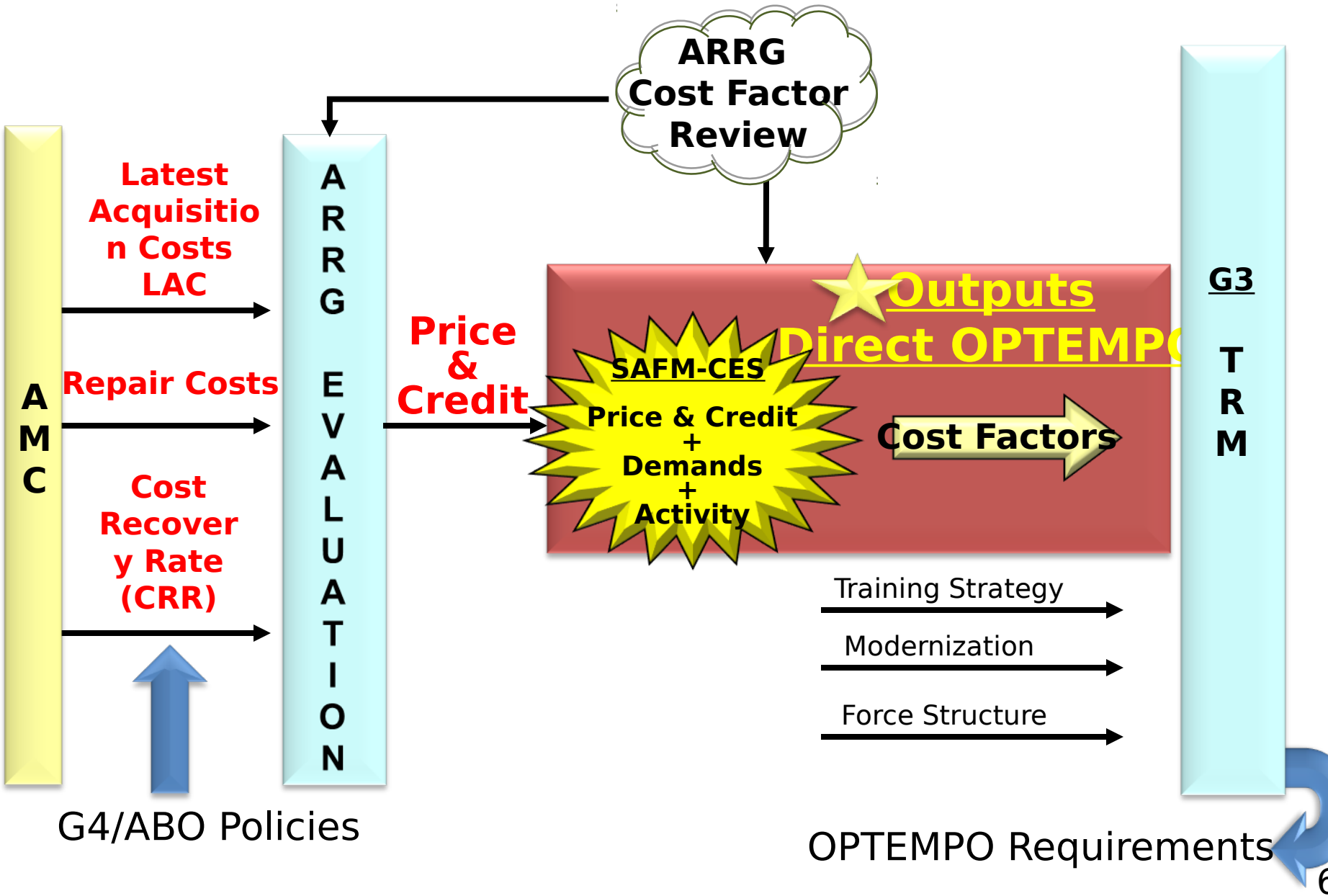
3. THE GOOD NEWS:

- Typically examine over $2.3B in price and credit changes and drive $1B of savings to the customer
- Exchange Pricing implemented; eliminating the waiting period of expected credit for unserviceable items and mitigating the loss of ~ $250M cash
- Consolidated Depot Maintenance and Operational Readiness

Controlling costs while providing predictable prices and credits

* **Army Working Capital Fund Requirements Review Group**

Equipment Cost Factors



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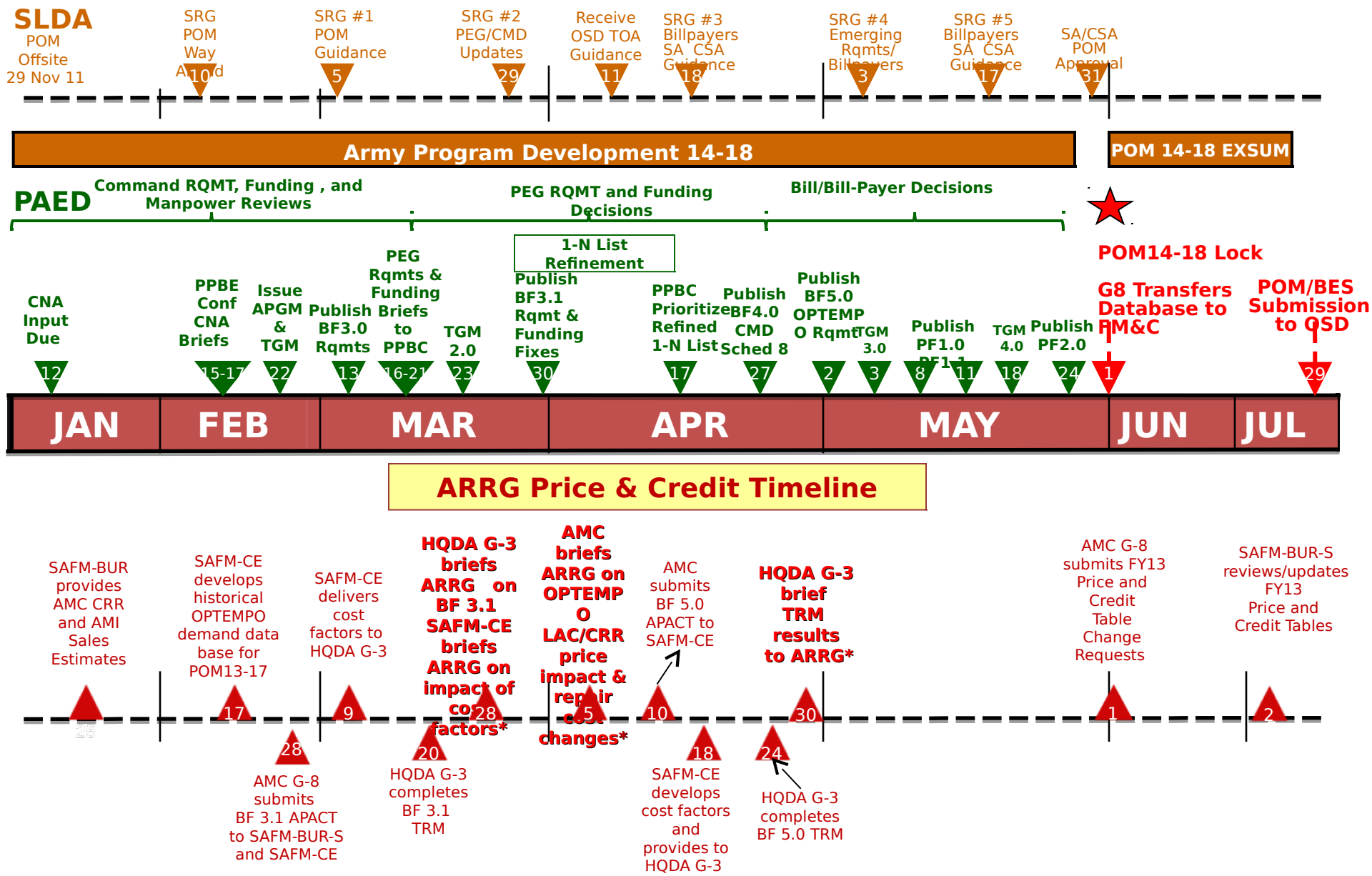
ARRG POM 14-18 Calendar



ARRG Price & Credit Timeline

SAFM-BUR provides AMC CRR and AMI Sales Estimates
25
SAFM-CE develops historical OPTEMPO demand data base for POM13-17
17
SAFM-CE delivers cost factors to HQDA G-3
9
AMC G-8 submits BF 3.1 APACT to SAFM-BUR-S and SAFM-CE
28
HQDA G-3 briefs ARRG on BF 3.1 SAFM-CE briefs ARRG on impact of co
28
factors*
HQDA G-3 completes BF 3.1 TRM
20
AMC briefs ARRG on OPTEMP O LAC/CRR price impact & repair cost
5
changes*
AMC submits BF 5.0 APACT to SAFM-CE
10
SAFM-CE develops cost factors and provides to HQDA G-3
18
HQDA G-3 brief TRM results to ARRG*
30
HQDA G-3 completes BF 5.0 TRM
24
AMC G-8 submits FY13 Price and Credit Table Change Requests
1
SAFM-BUR-S reviews/updates FY13 Price and Credit Tables
2

* Dates are subject to change

Some ARRG Successes

- FY05: Consolidated Depot Maintenance and Ordnance Activity Groups eliminating redundant efforts preparing separate budget submissions
- FY07: Evaluated over $50B of OPTEMPO requirements, examined $2.3B of Price & Credit changes and drove $1B of customer savings
- FY09: MRAP FY11-15 Sustainment. ARRG initiated actions to migrate MRAP into base funding, and actions that led to Army decisions to retain ~19K of the most effective and supportable MRAP variants.
- FY10: ARRG initiated actions resulting in Aviation component reliability improving for 19 of 25 top cost drivers, with a projected $630M return on investment over 10 years.
- FY 10: ARRG guidance on developing cost factors resulted in a $1.2B cost avoidance for POM12-16, with a reduction in FY12 demands of $229.8M
- FY11: For POM13-17, the ARRG evaluated over $10B of annual OPTEMPO requirements and drove savings through demand adjustments and improved cost estimation
  - Reduced the AWCF cost recovery rate from 15.9% to $14.1%. This reduced OPTEMPO costs by $55.5M, passing along savings to AWCF customers
  - Collective ARRG analysis generated a $1.3B reduction in OPTEMPO requirements

ARRG Benefits to the Army

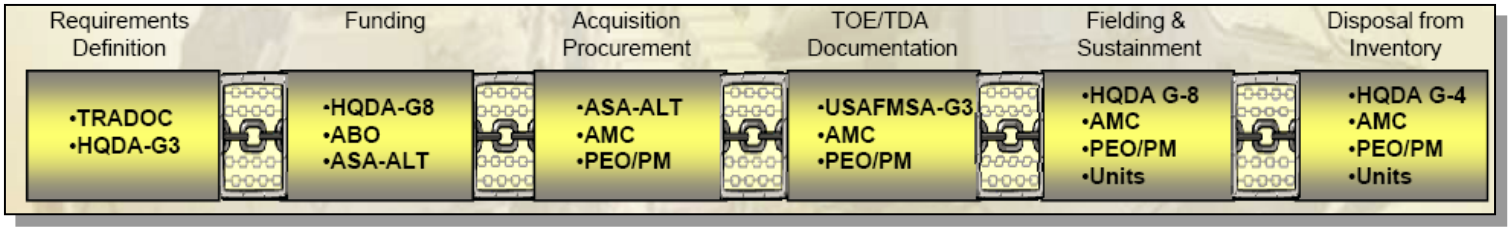
- Only forum that balances customer and supplier relationships through the Program, Program Review, and Budget cycles
- Focus is to understand, then control, repair cost growth challenges
  - Depot workload and the perception of excess carryover
  - Inventory levels
- Assesses impact of programs in the POM
- Collaborative forum for AWCF management
- Leverages the experience of AWCF leadership and functional experts to discuss and resolve financial and logistics related

ARRG continues as a model for collaborative financial and logistical management. Now in its eleventh year, the ARRG includes senior executive membership across the financial and logistics communities

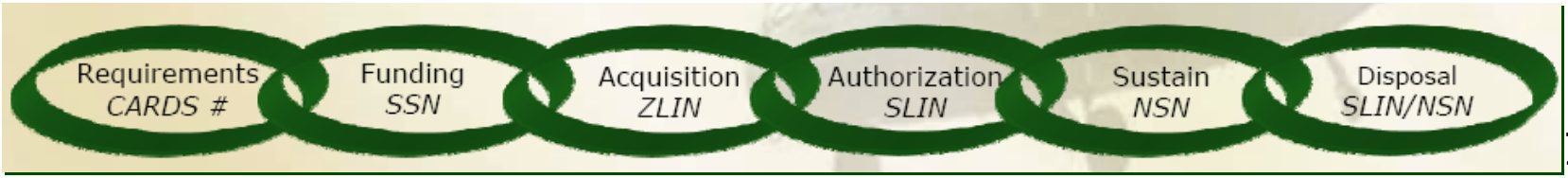
SLAMIS Overview

- **SLAMIS:** Standard Study Number (SSN), Line Item Number (LIN) Management & Integrating System
  - SSN: Budget Control Number
  - LIN: Equipment Control Number
- Purpose – A web based system that linked equipment funding to equipment fielding to improve accountability of LIN lifecycle management of standard and non-standard equipment
- What SLAMIS Does -- SLAMIS links processes, data systems, and organizations together to facilitate the coordination of LIN lifecycle management for all equipment
- SLAMIS expanded over time to include other LIN lifecycle issues, and eventually to address all LIN lifecycle issues, including non-standard LINs.

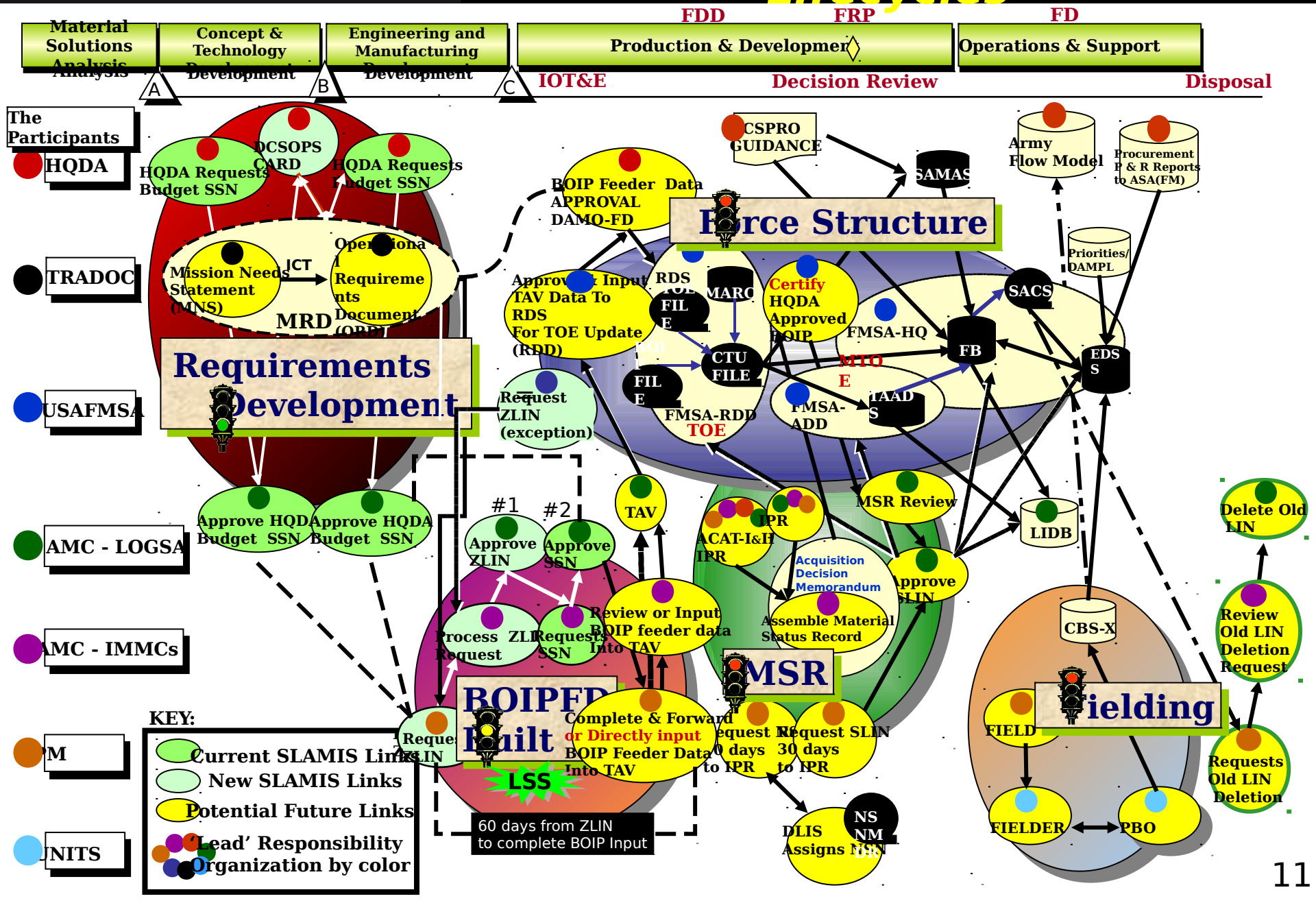
Key Players



LIN Lifecycle Data Elements



The Challenge: *Manage System Lifecycles*

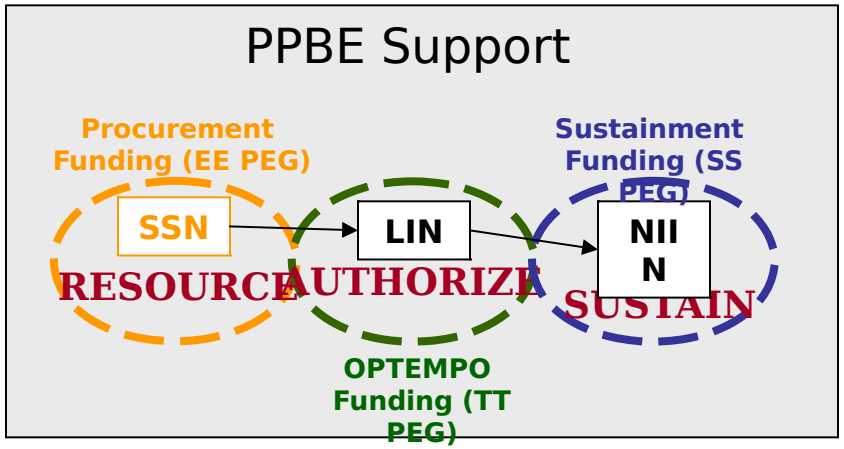


SLAMIS Background *

1. THE ISSUE:

- In 1998, an HQDA PPBE IPAT formed to look at how the Army accounts for procurement dollars
- HQDA could "account" for only 7¢ of every procurement dollar spent because of data gaps, conflicting processes, stove piped systems, outdated publications, and the loss of experienced personnel

2. THE SOLUTION:



3. THE GOOD NEWS:

- SLAMIS now centralizes, standardizes and links processes/data elements to provide visibility and accountability of all Army procured equipment:
  - the SSN: reflects programmed procurement dollars for Army equipment
  - the Type Classification process for awarding the standard LIN required for unit's authorization document (MTOE) and OPTEMPO funding,
  - the tools to create relationships between the SSN, LIN and NIIN

w, the Army can "account" for more than 80% of every procurement do

* Standard Study Number – Line item Number Automated Management & Integrating System

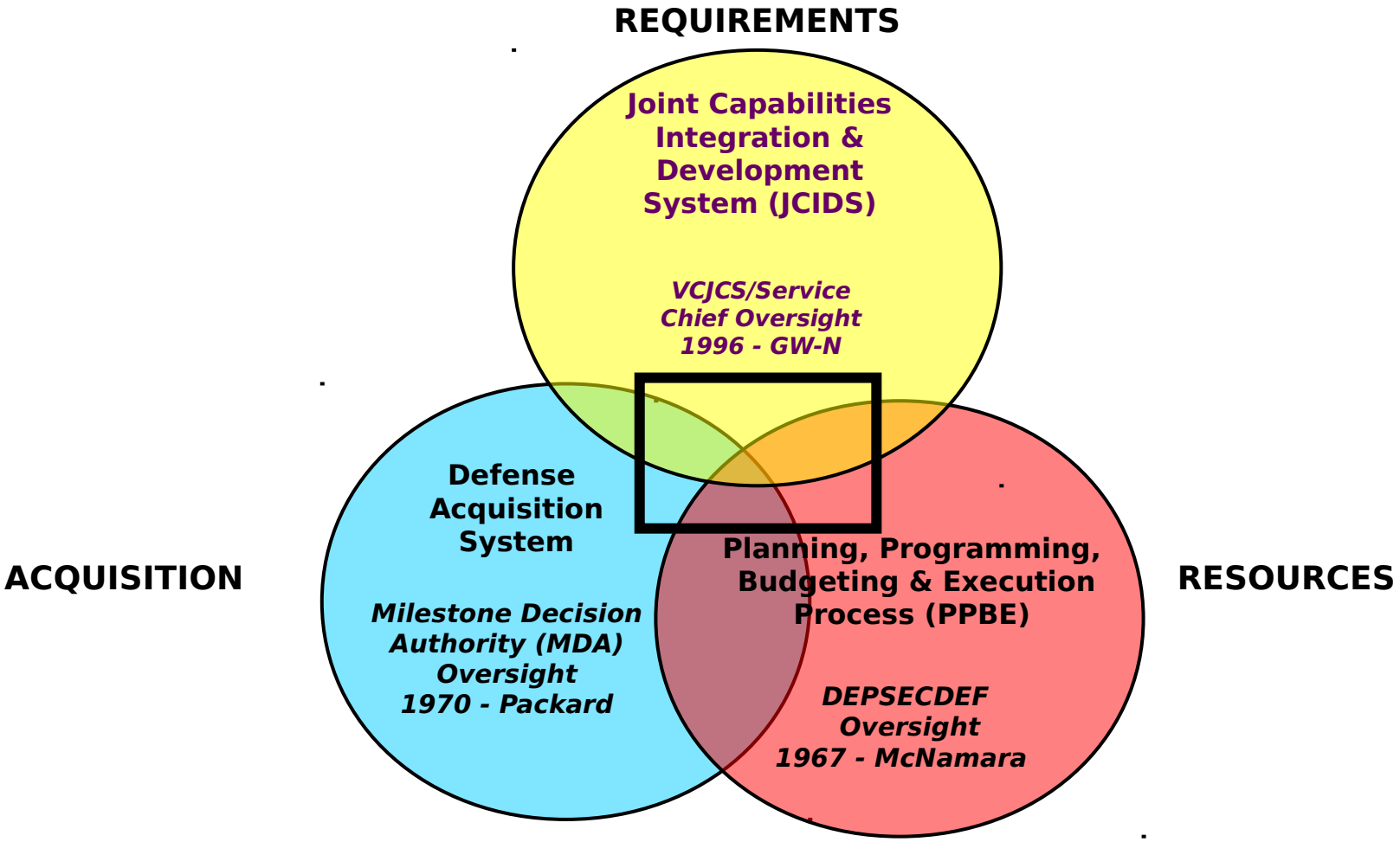
SLAMIS – Benefits to the Army

- Integrates relational data for managing major items throughout their life cycle

Requiring → Funding → Procuring → Fielding → Accounting → Sustaining → Disposing

- Integrates with key Logistics, Acquisition, and financing requirements systems
- Improves programming and budgeting decisions for procurement and sustainment
- Highlights gaps and friction between major management systems
- Provides framework to resolve emerging life-cycle management issues
- Provides linkage for tracking rapid transition of items from non-standard to standard

Three Over-arching Processes



Hard Issues take time
Challenge is synching management of the processes
How do you manage the seams?